

Message Text

CONFIDENTIAL

PAGE 01 EC BRU 06883 282210Z

64

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 NEA-10 SAJ-01 SCI-06 SCEM-02

INT-08 AID-20 CEA-02 COME-00 EB-11 FRB-02 CIEP-02

STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 DRC-01 /217 W
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R 281720Z NOV 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 6082

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L EC BRUSSELS 6883

E.O. 11652: GDS

TAGS: ENRG, EEC

SUBJECT: EC OIL SITUATION: COMMISSION CONCERN

REF: A) EC BRUSSELS 6100 (NOTAL)

B) EC BRUSSELS 6377

C) BONN 16655 (NOTAL)

1. SUMMARY. WHILE THE COMMISSION IS CLOSELY OBSERVING THE OIL SITUATION IN THE COMMUNITY, IT DOES NOT CONTEMPLATE TAKING ANY ACTION BEFORE THE COPENHAGEN SUMMIT. THE COMMISSION EXPECTS A

CONFIDENTIAL

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PAGE 02 EC BRU 06883 282210Z

SHORTFALL IN CRUDE OIL IMPORTS IN THE COMMUNITY OF 15 TO 20 PER-

CENT IN DECEMBER BUT ANTICIPATES THAT THE IMPACT OF THE OIL CUTS ON INDUSTRIAL ACTIVITY WILL NOT BECOME SERIOUS UNTIL JANUARY.
END SUMMARY.

2. WE ARE TOLD BY OUR WORKING-LEVEL CONTACTS IN THE COMMISSION THAT, WHILE THE COMMISSION CONTINUES TO FOLLOW CLOSELY THE OIL SUPPLY SITUATION IN THE COMMUNITY, IT IS UNLIKELY THE COMMISSION WILL TAKE ANY INITIATIVES OR ADVANCE ANY NEW PROPOSALS BEFORE THE RESULTS OF THE COPENHAGEN SUMMIT IN THIS AREA ARE KNOWN. THEY EXPECT THE SUMMIT TO DEAL WITH ENERGY MATTERS BOTH WITH A VIEW TO LONG-TERM CONSIDERATIONS, SUCH AS THE COMMISSION'S PROPOSALS (AND RECENT FRENCH DECISIONS) REGARDING ENRICHED URANIUM, AND FOR THE SHORT TERM, SUCH AS THE COMMISSION'S PROPOSALS BEFORE THE COUNCIL REGARDING A COMMUNITY POLICY ON PETROLEUM. THESE SHORT-TERM PROPOSALS INCLUDE THE COMMISSION'S RECOMMENDATIONS OF JULY AND OCTOBER REGARDING: RELATIONS WITH PRODUCER COUNTRIES, RELATIONS WITH CONSUMER COUNTRIES, THE ORGANIZATION OF THE INTERNAL OIL MARKET, CONSERVATION AND MORE RATIONAL USE OF PETROLEUM PRODUCTS, AND THE DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY.

3. THE COMMISSION HAS BEEN DEVOTING A CONSIDERABLE AMOUNT OF TIME DURING ITS REGULAR MEETINGS IN RECENT WEEKS TO THE ENERGY SITUATION. HOWEVER, IT CONTINUES TO FEEL THAT IT CANNOT TAKE ANY FURTHER INITIATIVES IN THE ABSENCE OF GUIDANCE FROM THE MEMBER STATES. SIMONET HAS PREPARED A DOSSIER ON ENERGY PROBLEMS FOR THE FOREIGN MINISTERS AND THEY ARE SCHEDULED TO DISCUSS IT AT A LUNCH AT THE TIME OF THEIR COUNCIL MEETING ON DECEMBER 3-4. HOWEVER, THERE ARE NO PLANS FOR AN ENERGY COUNCIL BEFORE THE SUMMIT.

4. THE COMMISSION NOW BELIEVES THAT IT IS RECEIVING ADEQUATE AND ACCURATE INFORMATION REGARDING THE OIL SUPPLY SITUATION IN THE MEMBER STATES. IT ESTIMATES THAT THE SHORTFALL OF CRUDE OIL IMPORTS FROM ALL SOURCES IN DECEMBER (AS COMPARED TO EARLIER PROJECTED IMPORT LEVELS) WILL AVERAGE 15 TO 20 PERCENT THROUGHOUT THE NINE MEMBER STATES. THIS SHORTFALL IN CRUDE IMPORTS IN INDIVIDUAL MEMBER STATES WILL VARY FROM LESS THAN 10 PERCENT IN DENMARK TO ALMOST 70 PERCENT IN THE NETHERLANDS. THE SUPPLY SITUATION DOES NOT AS YET APPEAR TO HAVE HAD A SERIOUS IMPACT ON INDUSTRIAL ACTIVITY, AND DECEMBER IS TRADITIONALLY A LIGHT MONTH FOR INDUSTRIAL REQUIREMENTS. THE COMMISSION ESTIMATES
CONFIDENTIAL

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PAGE 03 EC BRU 06883 282210Z

THAT A SHORTFALL IN IMPORTS OF 20 PERCENT IS THE POINT AT WHICH INDUSTRIAL ACTIVITY WOULD BEGIN TO BE SERIOUSLY AFFECTED. IT EXPECTS THIS POINT TO BE REACHED EARLY IN JANUARY AND THAT SOME FACTORY LAYOFFS AND SHUTDOWNS CAN BE EXPECTED TO BEGIN THEN, UNLESS MEMBER STATES BEGIN TO MAKE GREATER USE OF THEIR RESERVE STOCKS THAN THEY HAVE THUS FAR.

5. OUR SOURCES IN THE COMMISSION HAVE VERY LITTLE HOPE FOR

EARLY IMPROVEMENT IN THE SUPPLY SITUATION. THEY BELIEVE THAT ANY RESUMPTION OF FULL OIL DELIVERIES TO EUROPE WILL DEPEND ON AN OVERALL POLITICAL SETTLEMENT IN THE MIDDLE EAST. THEY REALIZE THAT IT IS UNLIKELY A SETTLEMENT CAN BE REACHED, AND FULL OIL PRODUCTION RESUMED, IN THE NEXT TWO TO THREE MONTHS. IN THEIR VIEW, THEREFORE, EUROPE FACES A PERIOD OF ECONOMIC AND POLITICAL DIFFICULTY FOR SOME TIME TO COME BECAUSE OF THE OIL SUPPLY SITUATION. AS A RESULT OF THIS ASSESSMENT THERE IS GENERAL PESSIMISM OVER THE SITUATION IN THE COMMISSION, FROM WORKING LEVEL OFFICIALS TO THE MEMBERS OF THE THE COMMISSION THEMSELVES. SEVERAL OF OUR CONTACTS ARE ALREADY EXPRESSING CONCERN OVER THE POTENTIAL POLITICAL REPERCUSSIONS FROM UNEMPLOYMENT RESULTING FROM FUEL SHORTAGES IN THE COMING MONTHS (SEE ALSO REFTEL C).GREENWALD

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